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**Internal Operating
P O L I C Y**

Number: AP – 2

Section: Financial Services Division

**Subject: Using 1099 Codes in the North Carolina Accounting
System (NCAS)**

Approved by: DEQ Secretary

Eff. Date: March 1, 1992

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PURPOSE

The purpose of this section is to provide the necessary instructions to individuals who prepare Cash Disbursements Code sheets (CDCS) and travel reimbursement forms that require a Form 1099 to be prepared for the individual or vendor for a calendar year.

POLICY

The Department requires the preparer of all CDCS to provide the necessary 1099 data on the CDCS when submitted to the Accounts Payable specialist. In the *Instructions for Form 1099*, The Internal Revenue Service requires the reporting of all payments to vendors of unincorporated businesses providing services on Form 1099. When total payments for the calendar year exceed \$599, a 1099 form will be sent to the vendor. A specific exception to this criterion is that health-related service payments to companies or hospitals, whether incorporated or not, *must be reported*.



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Procedures

Account numbers are used to describe the purpose of an expenditure, the type of revenues received, and the balance sheet accounts required for GAAP accounting. When determining if a payment needs to be reported for 1099 information, the account number used is a means for recognizing the need. Payments to be reviewed for reporting of 1099 information are frequently charged to the following list of accounts; however, there may be additional accounts not listed below. If you are unsure, you may contact the Account Payable Manager in the Accounts Payable Section of the Financial Services Division.

53165x	<i>Compensation to Board Members</i>
532192	<i>Honorariums</i>
532199xxx (All)	<i>Contractual Personal Services</i>
5323xx	<i>Repair Services*</i>
532511	<i>Rental/Lease of Land</i>
532512	<i>Rental/Lease of Buildings/Offices</i>
532513	<i>Rental/Lease of Other Facilities</i>
536xxx	<i>Grant Accounts</i>

*Any repair invoice that includes charges for labor or lists services provided needs to have a 1099 code entered for the service portion of the bill. (The parts will not require a 1099 code).



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Divisions must indicate on the CDCS if the vendor is incorporated when the title of the vendor does not state "Incorporated," "Inc.," or "Corporation," for example. When the vendor is not incorporated, divisions must indicate the appropriate 1099 code on the CDCS, such as:

- **M1 in the OP-ID column for Rentals on each line of appropriate charging**
- **M6 in the OP-ID column for Medical/Health on each line of appropriate charging**
- **M7 in the OP-ID column on each line of appropriate charging for:**
- **Honorariums (Account 532192) paid to non-DEQ individuals as income**
- **Compensation to Boards, Commissions, Councils, and Task Forces (Accounts 531651, 531652) as income**
- **Payments to Individuals (non-DEQ) for purchases of services or supplies**

A complete list of 1099 codes can be found on the TNL screen in the NCAS A/P module.

The accounts payable specialist responsible for processing the payments will review these bills prior to processing the payments to ensure that all data has been provided. When keying the invoice data on the IWS screen, if there is a NO in the 99 FIELD, you must override the NO with the applicable 1099 code.